NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

Audit Contract Forms and Changes

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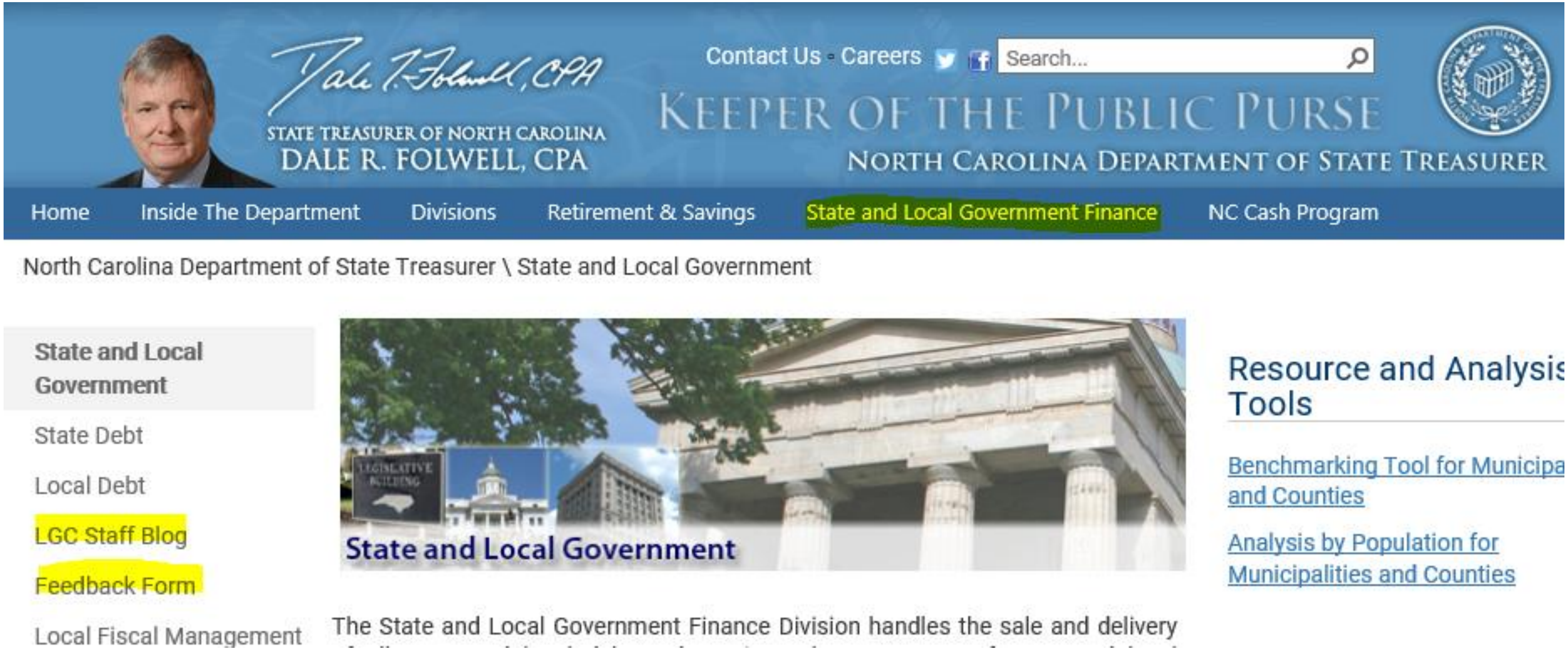
Introduction

- Operational Goals
  - Optimize processes and interactions
  - Automate selected processes
  - Update website

- Connecting with LGC Staff
  - Blog
  - Feedback form

State and Local Government Finance Division

State and Local Government Website	https://www.nctreasurer.com/slg/Pages/default.aspx
Blog	https://www.nctreasurer.com/slg/lgcblog/Pages/default.aspx
Feedback Form	https://www.surveymonkey.com/r/SLGFDFeedback



Topics for Discussion

- 2020 Contract Changes
- Fixed vs Variable Contracts
- Amended Contracts

2020 Contract Changes

Types of Contracts

- Standard Contracts
  - For most units – counties, municipalities, TDAs, boards of education, etc.
  - Contract includes pre-audit language
  - LGC reviews and/or approves audit report, contract, invoices

- Hospital Contracts
  - For public hospitals (GS 159-39)
  - Contract does not include pre-audit language
  - LGC reviews and/or approves audit report, contract

- Charter School Contracts
  - For charter schools only (not boards of education)
  - No pre-audit language
  - LGC reviews and/or approves audit report, contract, invoices
  - Signature page includes section to list individual schools under charter holder

NEW

2020 Contract Changes

Standard Contract Body: Deletions

2. At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with GAAS. The Auditor shall perform the audit in accordance with Government Auditing Standards.

. . .

County and Multi-County Health Departments: The Office of State Auditor will require Auditors of these Governmental Units to perform agreed upon procedures (AUPs) on eligibility determination on certain programs. Both Auditor and Governmental Unit agree that Auditor shall complete and report on these AUPs on eligibility determination as required by OSA and in accordance with the instructions and timeline provided by OSA.

13. The Auditor shall submit the report of audit in PDF format to LGC Staff when (or prior to) submitting the final invoice for services rendered.

. . .

If the OSA designates certain programs to be audited as major programs, as discussed in Item 2, a turnaround document and a representation letter addressed to the OSA shall be submitted to LGC Staff.

2020 Contract Changes

Standard, Charter School, Hospital Contract Body: Addition

16. A copy of the engagement letter, issued by the Auditor and signed by both the Auditor and the Governmental Unit(s), shall be attached to this contract, and except for fees, work, and terms not related to audit services, shall be incorporated by reference as if fully set forth herein as part of this contract. [. . .]

2020 Contract Changes

Standard, Charter School Contract Body: Correction

Fees Page:

If the current contracted fee is not fixed in total, invoices for services rendered may be approved for up to 75% of the prior year billings. Should the 75% cap provided below conflict with the cap calculated by LGC staff based on the prior year billings on file with the LGC, the LGC calculation prevails.

2020 Contract Changes

Standard, Charter School, Hospital Contract Signature Page: Modification

GOVERNMENTAL UNIT

More space for date

Governmental Unit*	
Date Primary Government Unit Governing Board Approved Audit Contract* (G.S.159-34(a) or G.S.115C-447(a))	
Mayor/Chairperson (typed or printed)*	Signature*
Date	Email Address

Chair of Audit Committee (typed or printed, or "NA")	Signature
Date	Email Address

2020 Contract Changes

Amended Contract: Modification

EXPLANATION OF MODIFIED CONTRACT TERMS

Please provide an explanation for the modification to due date and/or fees.

Two questions instead of one

If the amendment is submitted to extend the due date, please indicate the steps the unit and auditor will take to prevent late filing of audits in subsequent years.

2020 Contract Changes

Charter School Contract Signature Page: Modification

CONTRACT TO AUDIT ACCOUNTS

SCHOOL LIST
(provide names of all charter schools included in the audit)

School Name	Address
Executive Director	Email Address
Finance Officer	Email Address

School Name	Address
Executive Director	Email Address
Finance Officer	Email Address

Addition of school list

Fixed vs Variable Contracts

Fixed vs Variable Contracts

20 NCAC 03 .0505 AUDIT BILLINGS

(c)(4)“. . . the Commission may approve interim billings up to a maximum of 75 percent of a fixed or maximum fee, or, in the case where there is no fixed or maximum fee, up to a maximum of 75 percent of last year's billings for the annual audit of the subject unit. . . . “

Fixed Contract = “fixed or maximum fee”

Variable Contract = all others; ANY variable component

Fixed vs Variable Contracts (continued)

20 NCAC 03 .0505 AUDIT BILLINGS

“Except in the case of a fixed fee, the audit billing shows all calculations necessary to compute the fee from the rates shown in the contract…”

Rejected Contract = rates needed to compute invoice fees are not provided in the contract

Fixed vs Variable Contracts

<u>Contract</u>

Audit:	$25,000
Writing Financial Statements:	$0
All Other Non-Attest Services:	$0

Fixed vs Variable Contracts

<u>Contract</u>

Audit:	$25,000
Writing Financial Statements:	$0
All Other Non-Attest Services:	$0

F I X E D

Fixed vs Variable Contracts

<u>Contract</u>

Audit:	$25,000
Writing Financial Statements:	$0
All Other Non-Attest Services:	$0

<u>Engagement Letter</u>

Audit services:	$25,000
Major program audit:	$2,500 per program

Fixed vs Variable Contracts

<u>Contract</u>

Audit:	$25,000
Writing Financial Statements:	$0
All Other Non-Attest Services:	$0

V A R I A B L E

<u>Engagement Letter</u>

Audit services:	$25,000
Major program audit:	$2,500 per program

Fixed vs Variable Contracts

<u>Contract</u>	
Audit:	$25,000
Writing Financial Statements:	$0
All Other Non-Attest Services:	$0
<u>Engagement Letter</u>	
Audit services:	$25,000
Major program audit:	$2,500 per program, up to 4 programs

Fixed vs Variable Contracts

<u>Contract</u>	
Audit:	$25,000
Writing Financial Statements:	$0
All Other Non-Attest Services:	$0

F I X E D

<u>Engagement Letter</u>	
Audit services:	$25,000
Major program audit:	$2,500 per program, up to 4 programs

Fixed vs Variable Contracts

<u>Contract</u>

Audit:	$50,000
Writing Financial Statements:	$10,000
All Other Non-Attest Services:	At standard hourly rates

<u>Engagement Letter</u>

We will bill for any non-attest services at standard hourly rates.

Fixed vs Variable Contracts

<u>Contract</u>

Audit:	$50,000
Writing Financial Statements:	$10,000
All Other Non-Attest Services:	At standard hourly rates

R E J E C T E D

<u>Engagement Letter</u>

We will bill for any non-attest services at standard hourly rates.

Fixed vs Variable Contracts

<u>Contract</u>

Audit:	$50,000
Writing Financial Statements:	$10,000
All Other Non-Attest Services:	At standard hourly rates

V A R I A B L E

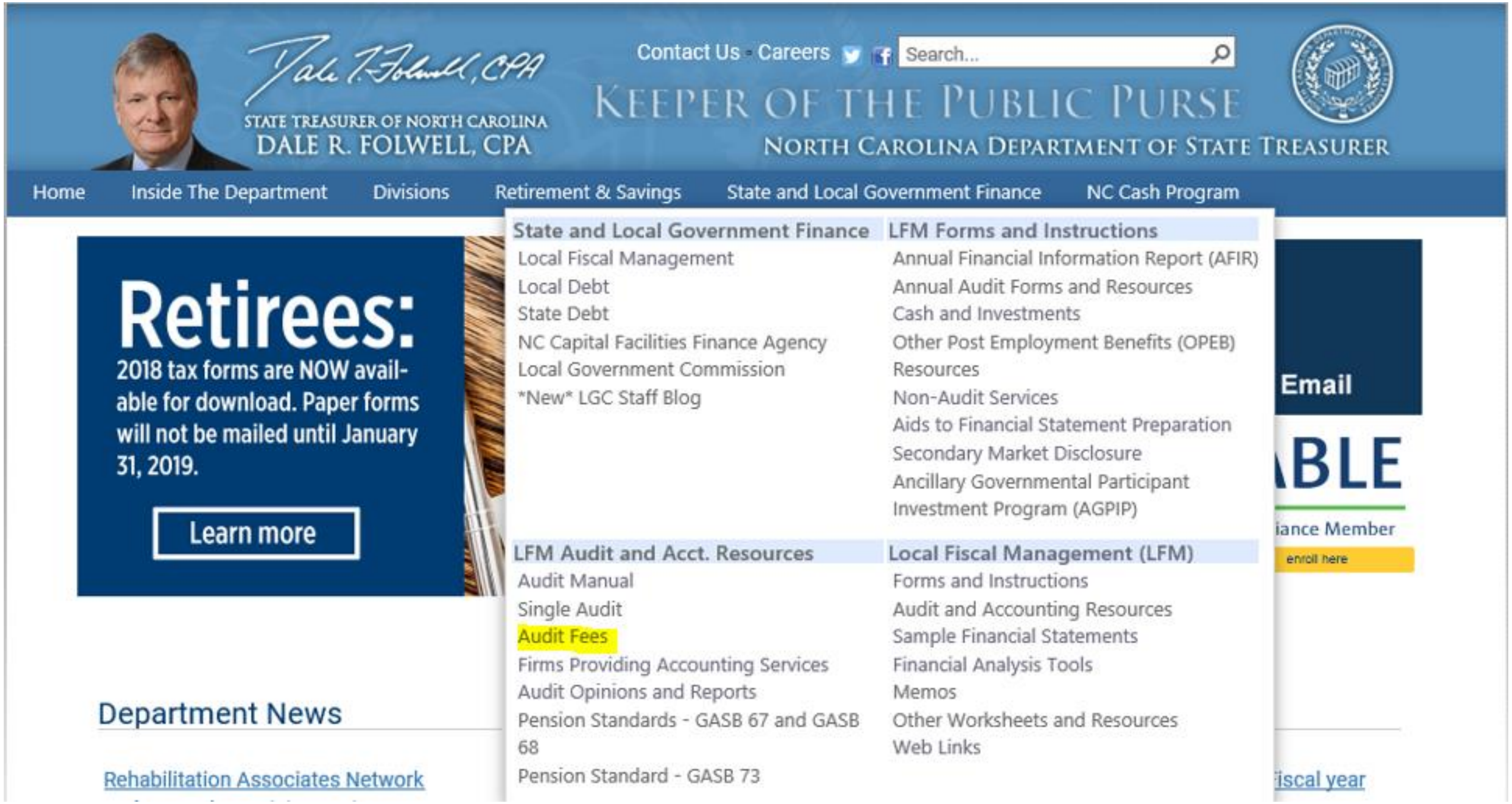
<u>Engagement Letter</u>

We will bill for any non-attest services at:

$100 per staff hour

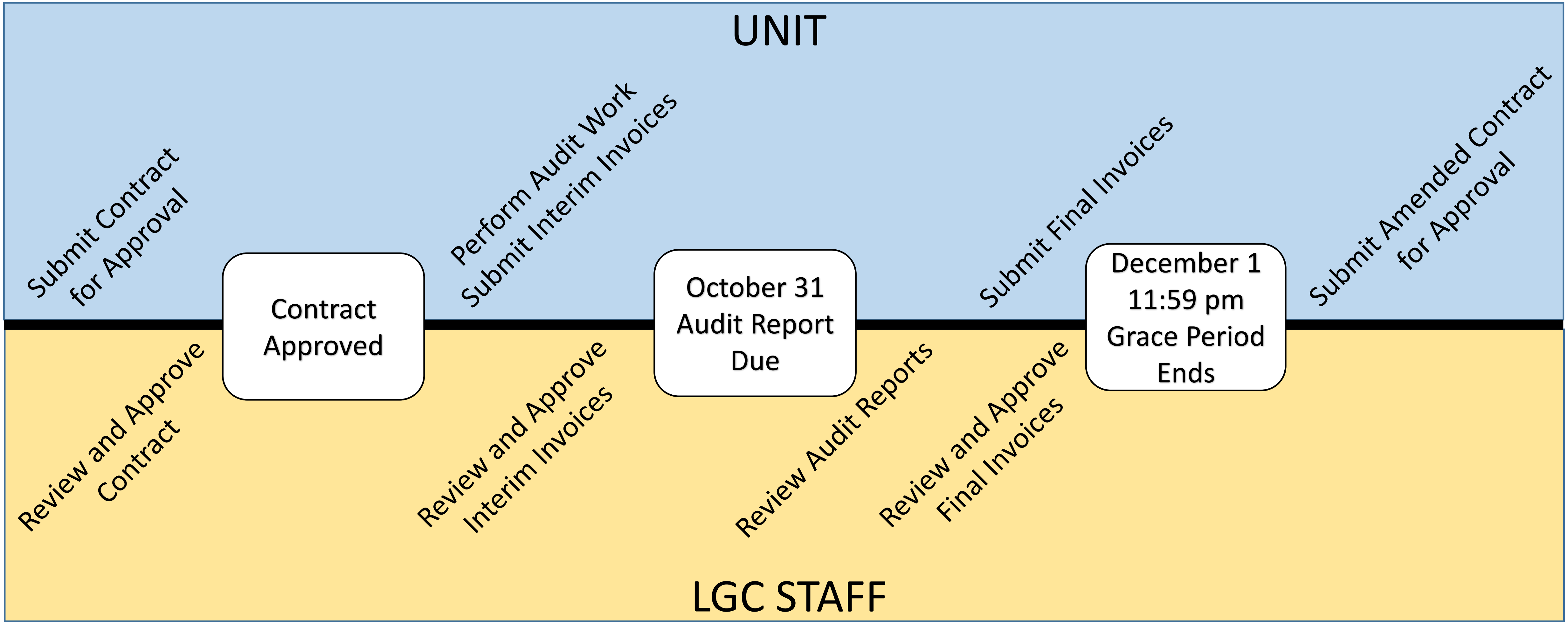
$200 per senior staff hour

Audit Fees https://www.nctreasurer.com/



Amended Contracts

Contract Timeline



Amended Contracts

6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to LGC staff within four months of fiscal year end. If it becomes necessary to amend this due date or the audit fee, an amended contract along with a written explanation of the delay shall be submitted to the Secretary of the LGC for approval.

Amended Contracts

- Amended contracts are required whenever there is a modification to the due date or fees for the audit.

- Amended contracts are always required after December 1.

  (Doesn't apply if auditor initially contracts with unit after December 1, eg new auditor)

- Amended contracts must be received and approved by LGC staff before audit reports will be accepted and invoices will be approved.

- A late audit does not automatically lead to a unit letter. Other factors are considered.

Conclusion

- Questions
- Blog and feedback form reminder